KPMG

Financial Statements of

FIRST NATIONS TRUST FUND

Year ended March 31, 2001

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AUDITORS' REPORT TO THE TRUST BENEFICIARIES

We have audited the balance sheet of First Nations Trust Fund as at March 31, 2001 and the statements of revenue and expenditures and unrestricted surplus and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Saskatoon, Canada
June 22, 2001

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FIRST NATIONS TRUST FUND

Balance Sheet

March 31, 2001, with comparative figures for 2000

	2001	2000
Assets		
Cash	$ 15,489	$ 201,076
Gaming revenue receivable	-	4,300,000
	$ 15,489	$ 4,501,076
Liabilities and Trust Balances		
Current liabilities:		
Payable to First Nations	$ 15,489	$ 4,222,739
Payable to FSIN:		
Veterans	-	17,250
First Nations Addictions Rehabilitation Foundation	-	236,087
Trust administration	-	25,000
	15,489	4,501,076
Trust balances:		
Unrestricted surplus	-	-
Commitment (note 2(c))		
Contingencies (note 3)		
	$ 15,489	$ 4,501,076

See accompanying notes to financial statements.

On behalf of the Trustees:

Trustee

Trustee

FIRST NATIONS TRUST FUND

Statement of Revenue and Expenditures and Unrestricted Surplus

Year ended March 31, 2001, with comparative figures for 2000

	2001	2000
Revenue:		
Gaming revenue	$ 11,049,215	$ 11,794,870
Interest	10,141	22,282
	11,059,356	11,817,152
Expenditures:		
FSIN:		
First Nations Addictions Rehabilitation Foundation	944,350	944,350
Justice Secretariat (note 2(a))	298,000	-
Trust administration	100,000	100,000
Veterans	71,250	69,750
	1,413,600	1,114,100
Excess of revenue over expenditures before the following	9,645,756	10,703,052
Payments to First Nations	9,401,756	10,703,052
National assembly travel subsidy (note 2(b))	144,000	-
White Bear gaming agreement development costs (note 2(c))	100,000	-
	9,645,756	10,703,052
Excess of revenue over expenditures	-	-
Unrestricted surplus, beginning of year	-	-
Unrestricted surplus, end of year	$ -	$ -

See accompanying notes to financial statements.

FIRST NATIONS TRUST FUND

Statement of Cash Flows

Year ended March 31, 2001, with comparative figures for 2000

	2001	2000
Cash flows from (used in):		
Operations:		
Change in non-cash operating working capital:		
Gaming revenue receivable	$ 4,300,000	$ (3,287,500)
Payable to First Nations	(4,207,250)	3,388,456
Payable to FSIN:		
Veterans	(17,250)	17,250
First Nations Addictions Rehabilitation Foundation	(236,087)	45,001
Trust administration	(25,000)	-
	(185,587)	163,207
Increase (decrease) in cash	(185,587)	163,207
Cash, beginning of year	201,076	37,869
Cash, end of year	$ 15,489	$ 201,076

See accompanying notes to financial statements.

FIRST NATIONS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2001

General Information:

The First Nations Trust Fund (the "Fund") was established to administer and disburse funds earned through gaming activities. Pursuant to the 1994 Casino Gaming Agreement between Federation of Saskatchewan Indians, Inc. ("FSIN") and the Province of Saskatchewan (the "Province") and Section 17 of the Saskatchewan Gaming Corporation Act, the Fund is to receive 25% of the net profits of the Regina Casino. Pursuant to the 1995 Agreement between FSIN and the Province (the "1995 Agreement"), the FSIN Gaming Act and the Trust Indenture between FSIN and the Trustees of the Fund (the "FSIN Trust Indenture"), the Fund is to receive a percentage of the net profits generated by casinos operated by Saskatchewan Indian Gaming Authority, Inc. ("SIGA") as follows:

For casinos located on reserves, 50% of net profits; and

For casinos not located on reserves, 50% of net profits.

At any time when the cumulative total of the net profits from the SIGA casinos distributed to the Fund exceeds the cumulative total amount paid to the Fund from the profits of the Regina casino, the Fund shall only be entitled to 37.5% of the excess net profits from the SIGA casinos (the "Flip clause"). This arrangement shall remain in place until such time as the total net profits paid into the Fund from Casino Regina again exceeds the net profits paid into the Fund by the SIGA casinos.

The Fund is administered by a Board of Trustees. The FSIN, in accordance with the First Nations Gaming Act, provides a list of recommended trustees to the Government of Saskatchewan. The Government of Saskatchewan uses that list to appoint trustees to the Fund in accordance with the Saskatchewan Gaming Corporation Act.

The 1995 Gaming Agreement provides for the establishment of First Nations Addictions Rehabilitation foundation ("FNARF") for the purpose of providing gaming addictions rehabilitation and prevention services for First Nations people. The operations of FNARF are to be funded from gaming revenues distributed by the Province to the Fund.

General Information (continued):

The Saskatchewan Gaming Corporation Act advise that the Trustees may make payments from the Fund for the following purposes related to First Nations and Tribal Councils in Saskatchewan:

- economic development
- social development
- justice initiatives
- educational development
- recreational facilities operation and development
- senior and youth programs
- cultural development
- community infrastructure development and maintenance
- health initiatives, and
- any other community development and/or project.

The Trustees shall make payments from the Fund on a fair and equitable basis in accordance with guidelines approved by the FSIN Chiefs-in-Assembly. The Trustees may also disburse funds identified for charitable purposes to First Nations charities.

1. Significant accounting policies:

(a) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditures during the reporting period. Actual results could differ from these estimates.

1. **Significant accounting policies (continued):**

   (b) Gaming revenues:

   Gaming revenues are recorded when receivable from the Province's General Revenue Fund. Distributions of gaming revenue are made to the Fund in quarterly installments based on estimates of net profits at the SIGA casinos and the Regina Casino. Upon completion of the fiscal years of the SIGA casinos and Regina Casino, a final distribution is made to the Fund by the Province's General Revenue Fund. The amount of this final distribution is recorded as gaming revenue upon determination and allocation by the Province.

   During 2000, Saskatchewan Liquor and Gaming Authority determined that certain past expenditures of SIGA were not considered reasonable. The Province's share of these expenditures not considered reasonable is to be recovered from the Fund pursuant to the agreements between FSIN and the Province. Commencing with the fourth quarter of the year ending March 31, 2001, $169,908 per quarter for eight consecutive quarters for a total of $1,359,264 will be withheld by the Province from distributions made to the Fund.

   (c) Payments to First Nations:

   Payments to First Nations are made based on guidelines approved by the FSIN Chiefs-in-Assembly.

2. **Approved resolutions:**

   During the year, the FSIN Chiefs-in-Assembly approved the following resolutions and so directed the trustees of the Fund:

   (a) Funding contribution to the FSIN Justice Secretariat in the amount of $298,000 for investigations and inquiry into the Saskatchewan Justice System. This funding was made as a justice initiative in order that an investigation could be conducted by the FSIN into how Saskatchewan First Nations people have been treated by police and other agencies.

   (b) Allocation of $2,000 per First Nation to assist with travel and related costs to attend the Assembly of First Nations ("AFN") annual general meeting. The Chiefs in the region were assisted with their travel cost to ensure they provided direction to the AFN by resolution which would guide policy development and implementation in the areas of social, economic and educational development and health initiatives throughout Canada and specifically Saskatchewan.

2. **Approved resolutions (continued):**

   (c) Compensation to the White Bear First Nation for the historical gaming costs related to planning and development of the Bear Claw Casino in the amount of $300,000 to be paid over a period of three years commencing in the 2001 fiscal year. These funds were paid as the Whitebear First Nation was the initial First Nation that undertook gaming activities and their related costs as a form of economic development. The FSIN believes these actions initially benefited the White Bear First Nation and ultimately resulted in the FSIN Saskatchewan gaming agreements that now benefit all First Nations in the region. The remaining commitment of $200,000 will be paid from gaming revenues received by the Fund in future years.

3. **Contingencies:**

   (a) Agreement with the Province of Saskatchewan:

   The 1995 Agreement between FSIN and the Province expired on March 31, 2001. Pursuant to this Agreement, the Fund is to receive a percentage of net profits generated by casinos operated by SIGA and a percentage of net profits generated by the Regina Casino. The 1995 Agreement has been extended until July 31, 2001 with provision that this Agreement may continue to be extended on a ninety-day basis until a new agreement between the parties is completed. Should the Agreement not be extended or completed, the impact on gaming revenue received by the Fund and the Fund's ongoing operations could be material.

   (b) Flip Clause:

   The Flip Clause in the 1995 Agreement and the amendment to the 1995 Agreement, effective April 1, 1998, provide for distribution to the Fund of net profits generated by casinos operated by SIGA and the Regina Casino. Disagreement exists between the FSIN and the Province regarding interpretation and calculations pursuant to the 1995 Agreement and the amendment to the 1995 Agreement as they relate to distribution of gaming revenue to the Fund. Any increase in distribution to the Fund related to the above disagreement will be accounted for in the period of resolution of the disagreement and receipt of amounts by the Fund.

4. **Related party transactions:**

Related parties to the Fund include FSIN and First Nations in the Saskatchewan region and the Province of Saskatchewan. FSIN provides administrative services to the Fund at an amount agreed between the parties. Occasionally cheques are distributed to Tribal Councils on behalf of their member First Nation. Expenditures and distributions to related parties are disclosed in the statements of revenue and expenditures and unrestricted surplus.